IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED : 20.12.2007

CORAM

THE HONOURABLE MR. JUSTICE P.K. MISRA
AND
THE HONOURABLE MR. JUSTICE K.K. SASIDHARAN

O.S.A.Nos.266 to 268 of 2007

New Hope Food Industries (P) Limited
rep.by its Managing Director
Mr.A.Raja
Chinnasadayampalaym
Moolapalayam (P.O.)
Erode-638 002. ..Appellant (Plaintiff in O.A.No.708 to 710 of 2007 in CS.No.504/2007, High Court, Madras)

Vs.

1.Pioneer Bakeries (P) Limited
52, Chettipalayam Cross
Poondurai Road
Erode-638 002.

2. Mr.K.Jayakrishnan ..Respondents (Defendants in O.A.No.708 to 710 of 2007 in CS.No.504/2007, High Court, Madras)

For Appellant : Mr.Arvind P.Dattar, SC
for M/s.A.A.Mohan

For Respondents : Ms.P.S.Raman, SC
Mr.P.H.Arvind Pandian

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J U D G E M E N T

K.K.SASIDHARAN, J

These original side appeals are directed against the common order dated 7.9.2007 in O.A.Nos.708 to 710 of 2003 in C.S.No.504 of 2007 whereby the learned Single Judge rejected the prayer for injunction pending suit.

2. The appellant herein filed a suit in C.S.No.504 of 2007 against the respondents for the following reliefs.

> "(a) A permanent injunction restraining the defendants by themselves, their associate companies, heirs, legal representatives, successors in business, assigns, servants, agents, transporters, distributors, printers, stockists, wholesalers, dealers, retailers or any one claiming through or under them from committing acts of infringement of plaintiff's registered trade mark "MILKA WONDER CAKE" by use of trade mark "MILKA" or any other mark similar thereto in respect of cakes.
>
> (b) A permanent injunction restraining the defendants by themselves, their directors, heirs, legal representatives, successors in business, assigns, servants, agents, transporters, distributors, printers, stockists, wholesalers, dealers, retailers or any one claiming through or under them from committing acts of infringement of copyright of plaintiff's artistic work in the capsule shaped device and the trade mark "MILKA" depicted thereon by use of an almost identical and nearly similar capsule shaped device and the trademark "MILKA" depicted thereon amounting to substantial reproduction of the plaintiff's copyright or in any manner whatsoever.
>
> (c) A permanent injunction restraining the defendants by themselves, their directors, heirs, legal representatives, successors in successors in business, assigns, servants, agents, transporters, distributors, printers, stockists, wholesalers, dealers, retailers advertisers or nay one claiming through or under them from manufacturing, distributing, marketing, selling, offering for sale, advertising or in any manner dealing in cakes, chat items, snacks or items other than breads by using the name "MILKA" which is identical to the plaintiff's mark "MILKA" either as a trade mark or trade name or trading style amounting to passing off their products as and for the plaintiff's products or in any other manner whatsoever.

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(d) The defendants be ordered to deliver up for destruction all the wrappers, pouches, cartons, labels, packaging materials, advertisement materials, seals, dies, blocks, screen prints, pamphlets, name boards, brouchers, trade literatures and such other materials bearing the trademark "MILKA" which is identical to the plaintiff's trade mark "MILKA".

(e) The defendants be ordered to pay a sum of Rs.10,05,000/- being compensatory and punitive damage for committing acts of infringement of copyright and passing off in various manner as narrated in the plaint.

(f) A preliminary decree be passed in favour of the plaintiff to render true and faithful accounts of profits earned by the defendants by sale of cakes and food items other than breads using the trademark "MILKA" and a final decree be passed in favour of the plaintiff for the amount of profits thus found to have been made by the defendants after the latter have rendered accounts."

3. In the said suit, the appellant filed O.A.Nos.708 to 710 of 2007 for interlocutory injunction.

4. The appellant preferred O.A.No.708 of 2007 for injunction restraining the respondents from committing acts of infringement in respect of their trade mark "MILKA WONDER CAKE" by using the trademark "MILKA" or any other mark similar thereto in respect of cakes.

5. In O.A.No.709 of 2007,the appellant prayed for injunction against the respondents pertaining to infringement of copyright in respect of their artistic work MILA WONDER CAKE wrapper/pouch and the trade mark "MILKA" depicted thereon.

6. In O.A.No.710 of 2007 the appellant prayed for injunction in respect of cakes, chat items, snacks or items other than bread by using the name "MILKA" by the respondents.

7. The case of the appellant as highlighted in the affidavit filed in support of the injunction are as follows:-

8. The appellant company was incorporated in the year 1996 with the main object of dealing in cakes, biscuits and other confectionary items and bakery products and they are in the business of manufacturing and marketing cakes since the year 1997 under the trade names "MILKA" and "MILKA WONDER CAKE". They have been using the trade mark continuously since then in respect of cakes. The appellant is the owner of the copy right in the artistic work Milka and Milka Wonder Cake wrapper/pouch having distinctive colour scheme, get up, lay out and artistic features

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and the same was registered with the Registrar of Copyrights under No.54521/97 dated 30.12.1997 and as such all the rights, title and interest in the said artistic work vested exclusively with the appellant. The appellant is also the registered proprietor of trade mark "MILKA WONDER CAKE" under No.1242328 dated 9th October, 2003 in class No.30 in respect of cake and the trade mark "MILKA WONDER CAKE" is also registered under No.732507 dated 30th December, 1996 in class 30 in respect of cakes, biscuits and other confectionary items. It is the further case of the appellant that they have made extensive sale of cakes bearing the trade marks "MILKA" and "MILKA WONDER CAKE" in distinctive wrapper/pouch all over the country since the year 1997. The cakes sold by the appellant under the said trade mark have captured huge market resulted in acquiring immense reputation and goodwill. The appellant has also shown their sales turn over for cakes under the trade marks "MILKA" and "MILKA WONDER CAKE" from 1996-97 onwards till 2004-2005. The appellant also claims that they have spent substantial amount towards sales promotion, advertisement and publicity for marketing cakes under the trade mark "MILKA" and "MILKA WONDER CAKE" in distinctive wrapper/pouch and by virtue of the long, continuous, extensive use and wide publicity, the appellant has acquired exclusive right to use the trade marks "MILKA" and "MILKA WONDER CAKE". The appellant contended that the use of any such similar trade mark and artistic work for cakes is bound to cause confusion and deception and amounts to misuse. According to the appellant the trade mark "MILKA" is exclusively identified by the trade and public with the cakes marketed by them.

9. The appellant further submitted that one Mr.V.M.Joseph, Mr.A. Arumugham and the second respondent were the founder promoters of the first respondent company, which was incorporated in the year 1989 and Mr.V.M.Joseph was the Managing Director of the said company and the first respondent company has all along being engaged in the business of manufacturing and marketing breads only. In the year 1997 the said V.M.Joseph in his individual capacity had applied for registration of the trade mark "MILKA" as per application NO.759880 and "WONDER" as per application No.759879, both dated 8.7.1997 in respect of cakes included in class 30. Mr.V.M.Joseph had also applied for registration of the trade mark MILKA WONDER CAKE label as per application No732507 dated 30.12.1996 in class 30 in respect of cakes, biscuits and confectionary items, cooked dishes for human consumption etc., falling in class 30. The said registration has been assigned to the appellant as per agreement dated 30.11.2000 and in the said document the second respondent was an attesting witness. The appellant thus became the proprietor of the aforesaid trade marks "MILKA", "WONDER" and "MILKA WONDER CAKE" in respect of cakes.

10. The appellant contended that until the year 2003 all the promoters were together and Mr.V.M.Joseph was the Managing Director of the group companies and there was no dispute at all. Subsequently Mr.V.M.Joseph fell ill and there was re-organisation of management. Accordingly a Memorandum of Understanding was prepared on 19.6.2003 in and by which it was agreed that the appellant is entitled to use the trade

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mark "MILKA" for cakes and another company by name Milka Nutriments Private Limited is entitled to use the trade mark "MILKA" for biscuits and the respondents to manufacture breads using the trade mark "MILKA". The said Memorandum of Understanding was handed over to respondent No.2 for his signature but he did not sign the same and retained with him. Difference of opinion aggravated between the parties which resulted in filing C.S.No.361 of 2004 by the appellant herein and C.S.No.790 of 2004 by the respondents herein against each other and the said suits are still pending. It is the further case of the appellant that the respondents started manufacturing cakes in the year 2007 which resulted in filing the present suit in as much as the respondent committed acts of infringement of appellant's registered trade mark "MILKA WONDER CAKE" by using the trade mark "MILKA."

11. Along with the suit the appellant also filed O.A.Nos.708 to 710 of 2007 for interim injunction pending disposal of the suit and in the affidavit filed in support of the injunction application the appellant has narrated the course of events which resulted in filing the suit as well as the interlocutory applications.

12. The second respondent as the Managing Director of the first respondent company filed a common counter affidavit in the interlocutory applications and opposed the prayer. According to the respondents, the appellant was granted the limited licence to use the artistic work "MILKA" under the agreement dated 1.11.1996 so as to enable them to manufacture breads and the said agreement did not permit the appellant to use the trade mark "MILKA" for the purpose of manufacturing and selling cakes and other bakery products. It is the case of the respondents that the first respondent is manufacturing cakes since the year 2004 and they continued to manufacture, market and sell the cakes in the name and style "MILKA TALENT CAKE" and they are the prior user of trade mark "MILKA" and the artistic work contained therein. The respondents also alleged collusion between the appellant and Mr.V.M.Joseph and as according to the respondents in the earlier suit there was no interim order in favour of the appellant and both the learned Single Judge as well as the Division Bench negatived the prayer made for injunction at the instance of the appellant. Therefore the respondents prayed for dismissing the applications as well as the main suit.

13. The appellant has filed a reply affidavit in answer to the common counter affidavit filed by the respondents wherein he contended that the appellant is a user and registered proprietor of the trade mark "MILKA" in respect of cakes.

14. The learned Single Judge having found that there is no prima facie case in favour of the appellant dismissed the applications, against which the unsuccessful petitioners in O.A.Nos.708 to 710 of 2007 have preferred these appeals.

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15. In the above factual matrix, we have heard Mr.Aravind P.Datrar, learned Senior Counsel for the appellant and Mr.P.S.Raman, learned Senior Counsel for the respondents.

16. The learned Senior Counsel for the appellant took us through the entire pleadings and contended that the finding of the learned Single Judge in the applications for interim injunction is perse erroneous and as such it is necessarily to be set aside in these appeals. The learned Senior Counsel further contended that in the face of the trade mark registration obtained by the appellants in class No.30 under No.732507 dated 30.12.1996 and trade mark number 1242328 dated 9.10.2003 both in respect of cakes under class 30, the learned Single Judge should have considered the prima facie case in favour of the appellant. It is the further contention of the learned Senior Counsel that the agreement dated 1.11.1996 relied on by the learned Single Judge to reject the prayer for injunction is in fact relates to bread only and it has nothing to do with cakes and the learned Single Judge failed to consider the factum of production of cakes by the appellant right from 1997. Ultimately the learned Senior Counsel sought interference in the order impugned in these appeals and according to the learned Senior Counsel the finding of the learned Judge is perverse and capricious.

17. The learned Senior Counsel for the respondents supported the order of the learned Single Judge and contended that temporary injunction being purely an equitable relief to be granted keeping in view the balance of convenience, existence of prima facie case and irreparable injury and as the appellant failed to prove these fundamental factors, the learned single Judge was perfectly correct in rejecting the prayer for injunction. By placing reliance on the certificate dated 2.9.1997 issued by the Assistant Registrar of Trade Marks, Mumbai, the learned Senior Counsel contended that the appellant played fraud on the authorities as in the copy right application they have given intimation that New Hope Industries and Pioneer Bakeries Limited are one and the same and accordingly got the copy right registered. With respect to the trade mark obtained by the appellant for cakes in class 30, learned Senior Counsel submitted that the respondents have already initiated proceedings for rectification and the same is now pending before the Intellectual Property Appellate Tribunal, Chennai. The learned Senior Counsel also took us through the earlier order of this court dated 16.7.2004 rejecting the similar prayer sought by the appellant in O.A.Nos.360 and 361 of 2004 in C.S.No.361 of 2004, which was confirmed in appeal as per judgment dated 1.12.2004 in O.S.A.Nos.267 to 270 of 2004.

18. The action for infringement is a remedy provided by the statute on a registered holder of the trade mark in case of any violation of his right to use his trade mark exclusively for his goods. Therefore when the plaintiff comes to the court with a complaint of infringement by the defendant and if it is found that the defendant is using the plaintiff's trade mark, an injunction will be issued in favour of the plaintiff

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restraining the defendant from using the trade mark. However Section 34 is an exception to this, inasmuch as registration of trade mark cannot be used against a trader taking shelter under the concept of prior user. Of course prior user must be continuous or not intermittent or seasonal. Therefore prior user assumes significance in an action for infringement.

19. However disposal of suit for injunction often takes time, given the pendency of cases in courts and as such the suit for permanent injunction in respect of infringement of trade mark invariably accompanied by an application for temporary injunction pending disposal of the main suit. The grant of injunction being an equitable remedy provided under the Specific Relief Act is governed by the principles of prima facie case, balance of convenience and irreparable injury.

20. In the case of SEEMA ARSHAD ZAHEER & ORS v. MUNICIPAL CORPORATION OF GREATER MUMBARI & ORS. (2006(5) Scale 263) the Apex Court laid down the salient principles governing the grant of injunction thus:-

> "The discretion of the court is exercised to grant a temporary injunction only when the following requirements are made out by the plaintiff: (i) existence of a prima facie case as pleaded, necessitating protection of plaintiff's rights by issue of a temporary injunction; (ii) when the need for protection of plaintiff's right is compared with or weighed against the need for protection of defendant's right or likely infringement of defendant's rights, the balance of convenience tilting in favour of plaintiff; and (iii) clear possibility of irreparable injury being caused to plaintiff if the temporary injunction is not granted. In addition, temporary injunction being an equitable relief, the discretion to grant such relief will be exercised only when the plaintiff's conduct is free from blame and he approaches the court with clean hands."

21. In the case of RAMDEV FOOD PRODUCTS PVT. LTD. v. ARVINDBHAI RAMBHAI PATEL & OTHERS (2006(8) Scale 631), the Apex Court considered the question of prima facie case and balance of convenience and held as follows:-

> "116. Registration of a trade mark and user thereof per se may lead to the conclusion that the plaintiff has a prima facie case, however, existence thereof would also depend upon the determination of the defences raised on behalf of the respondents. The appellant has raised a triable issue. The same by itself although may not be sufficient to establish a prima facie case but

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in view of our findings aforementioned, we are satisfied that the appellant has been able to establish existence of a legal right in itself and violation of the registered trade mark on the part of the respondents. We have also considered the comparable strength of the cases of the parties and are of the opinion that the case of the plaintiff-appellant stands on a better footing than the defendants-respondents.

117. A question as regards the matter relating to grant of injunction has been dealt in S.M.Dvechem Ltd.v. Cadbury (India) Ltd. 2000(5) SCC 573) wherein upon noticing a large number of decisions including Colgate Palmolive (India) Ltd. v. Hindustan Lever Limited ((1999) 7 S.C.C. 1) as also the subsequent distinction made in respect of the decision of the House of Lords in American Cyanamid v. Ethicon Ltd. ((1975 1 ALL ER 853), it was stated:

"....Therefore, in trademark matters, it is now necessary to go into the question of "comparable strength" of the cases of either party, apart from balance of convenience.

118. In M/s Transmission Corporation of A.P.Ltd., v. M/s. Lanco Kondapalli Power Pvt.Ltd. (JT 2005(10) SC 542), it was held:

"The interim direction ordinarily would precede finding of a prima facie case. When existence of a prima facie case is established, the Court shall consider the other relevant factors, namely, balance of convenience and irreparable injuries. The High Court in its impugned judgment although not directly but indirectly has considered this aspect of the matter when on merit it noticed that the Appellant has raised a dispute as regard payment of an excess amount of Rs.35 crores although according to the Respondent a sum of Rs.132 crores is due to it from the Appellant and the Appellant had been paying the amount for the last two years as per the contract.

Conduct of the parties is also a relevant factor. If the parties had been acting in a particular manner for a long time upon interpreting the terms and conditions of the contract, if pending determination of the lis, an order is passed that the parties would continue to do so, the same

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would not render the decision as an arbitrary one, as was contended by Mr.Rao. Even the Appellant had prayed for adjudication at the hands of the Commission in the same manner. Thus, it itself thought that the final relief would be granted only by the Arbitrator."

121. Relief by way of interlocutory injunction would be material in a suit for infringement of trade mark. Balance of convenience, however would have a vital role to play.

123. Kerly's Law of Trade Marks and Trade Names, Thirteenth Edition states as under about the general test for grant of an interim injunction.

"In trade-mark infringement causes irreparable damage, in this sense, is relatively easily shown, since infringement may easily destroy the value of a mark or at least nullify expensive advertising in a way that is hard to quantify for the purposes of an inquiry into damages. This has more recently come to be referred to, in cases where the defendant's conduct is not directly damaging but merely reduces the distinctive character of the claimant's mark, as "dilution"....

.....In particular, although it is usually neither necessary nor appropriate to assess the degree of probability of success which the claimant's action has (provided that it is arguable, and subject to the principle of American Cyanamid that the merits may be resorted to as a 'tie-breaker' if the balance of convenience is very even) in trade mark and passing off cases, it is very hard to avoid doing so, since the better the claimant's case on the likelihood of deception (frequently the major issue) the greater the harm which he is likely to suffer. Accordingly, in appropriate cases, where the state of the evidence permits it, the court may seek to weigh up the merits in deciding whether to grant interim relief."

124. Thus, when a prima facie case is made out and balance of convenience is in favour of the appellant, it may not be necessary to show more than loss of goodwill and reputation to fulfil the condition of irreparable injury. In fact, if the

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first two pre-requisites are fulfilled, in trade mark actions irreparable loss can be presumed to have taken place.

125. The expression "irreparable injury" is that sense would have established injury which the plaintiff is likely to suffer."

22. Keeping in view the principles laid down by the Supreme Court in the matter of temporary injunction by exercise of discretion we have perused the order of the learned Single Judge impugned in these appeals.

23. The learned single Judge negatived the prayer for injunction mainly on the following reasons:-

"(a) As per agreement dated 1.11.1996 the appellant was granted permission only to manufacture breads. Therefore the appellant is not right in their contention that they are manufacturing cakes also from the year 1997.

(b) The registration now obtained by the appellant does not enable the appellant to get over the inhibition that were pointed out in the earlier orders of this court in C.S.No.361 of 2004 and O.S.A.Nos.267 to 270 of 2004.

(c) In the copy right registration application there is an indication that both the companies namely, appellant and first respondent are one and the same and as such the very registration is tainted with malafides.

(d) When the sale deed of unregistered trade mark executed by Mr.V.M.Joseph in favour of the appellant on 30.11.2000 is considered in the face of the agreement dated 1.11.1996 between the appellant and the first respondent, serious doubt exist about the agreement dated 30.11.2000.

24. In view of the rival submissions at the Bar, the only question that falls for our consideration is whether the learned single Judge exercised the discretion properly and in accordance with the principles governing the grant of interlocutory injunction.

25. It is an admitted case of the parties that in the year 1989 Mr.V.M.Joseph established the company by name "Pioneer Bakeries Private Limited" in association with the second respondent, Mr.A.Arumugam and two others. In the year 1996, the appellant company was formed by Mr.V.M.Joseph along with Mr.Raja, the Managing Director of the Appellant Company and three others. Similarly in the year 1997 "Milka Nutriments Private Limited was also established.

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26. The first respondent herein applied for the trademark "MILKA" under No.513603B in respect of bread in class 30 and obtained the same under the provisions of the Trade and Merchandise Marks Act, 1958. Similarly the first respondent also obtained the registration of copy rights in the artistic work in the wrapper as per NO.5212 of 1992 in accordance with the provisions of the Copy Rights Act,1957. While so the first respondent found that M/s.New Star Food Products, Kerala were manufacturing and selling bakery products under the trade mark "MILKA". Therefore they filed C.S.No.891 of 1998 before this court against M/s.New Star Food Products for injunction. In the plaint in C.S.No.891 of 1998, the first respondent has stated that they are manufacturing breads under the trade mark "MILKA" and registered the trade mark "MILKA" in respect of bread in class 30. No where it is stated in the plaint that the registration of trade mark "MILKA" as per class 30 for bread covers cakes or other bakery products evident thereby that the first respondent has been manufacturing only breads and their registration was only in respect of breads.

27. The appellant also filed a suit against M/s New Star Food Products in C.S.No.896 of 1998 before this court and in the plaint there is a clear recital that the appellant conceived and adopted the trade mark "MILKA WONDER CAKE" in the year 1989 and they have been using the said trade mark continuously, openly and without any interruption ever since 1989. It is also stated in the plaint that the appellant had applied for registration of the trade mark "WONDER CAKE" and the same is pending before the trade marks Registrar. Both the suits viz., C.S.NO.891 of 1998 and 896 of 1998 were filed by Mr.V.M.Joseph in his capacity as the Managing Director of both the companies. In both the suits injunction was granted as per dated 17.08.1989. The averments in C.S.NO.891 of 1998 and 896 of 1998 prima facie discloses that the appellant has been manufacturing cakes under the trade name "MILKA WONDER CAKE" and the respondents have been manufacturing breads and as such the appellant is the prior user in respect of cakes. As per sale deed of unregistered trade mark and copy right dated 30.11.2000 Mr.V.M.Joseph applied for trade marks "MILKA","MILKA WONDER CAKE" and "WONDER" as per application numbers 759880,732507 and 759879 dated 08.07.1997,30.12.1996 and 08.07.1997 respectively and assigned the said unregistered trade marks in favour of the appellant for consideration and in the said agreement the second respondent admittedly signed as an attesting witness. Such an agreement is legally valid in view of Sec 39 of the Trade Marks Act 1939.

28. Mr.P.S.Raman, learned Senior Counsel argued that the agreement was attested by the second respondent at the instance of Mr.V.M.Joseph and he signed the same without knowing the contents of the document and as such, the learned Senior Counsel contended that the second respondent is not in the know of things so far as the agreement dated 30.11.2000 is concerned.

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29. Admittedly the second respondent is also a person involved in the MILKA venture and as all the companies were functioning smoothly, it cannot be said atleast on a prima facie view that the second respondent has signed the document without knowing the contents. The circumstances under which the second respondent signed the document are all matters for evidence during trial but prima facie it has to be accepted that the agreement was executed with the knowledge of the second respondent.

30. Based on the agreement dated 30.11.2000 the appellant obtained registration of the trade marks "MILKA and "WONDER CAKE" in numbers 732507 and 1242328 both in class 30. Under Section 31 of the Trade Marks Act 1999 in all legal proceedings relating to a trade mark registered under this act, the original registration of trade mark and all subsequent assignments and transmissions of the trademark shall be prima facie evidence of the validity thereof. Therefore the registration of trade marks "MILKA" and "WONDER CAKE" in the name of appellant are prima facie evidence of the valid trade marks and the legal presumption could be rebutted only in a proceeding for rectification. We are informed by the learned Senior Counsel for the respondents that they have already initiated proceedings for rectification and the same is now pending. Of course exclusive right obtained by registration cannot operate against the prior user in view of Section 34 of the Trade Marks Act.

31. In the case of Ruston & Hornsby Ltd. v. Zamindara Engineering Co. (AIR 1970 Supreme Court 1649) the Apex Court observed that the action for infringement is a statutory right and it is dependent upon the validity of the registration and subject to other restrictions laid down in Sections 30, 34 and 35 of the Trade Marks Act.

32. In the present suit Mr.V.M.Joseph the former Managing Director of the first respondent company had sworn to an affidavit where in he had narrated the working arrangement adopted in the respondent's company and in the sister companies and according to the said affidavit the appellant was permitted to manufacture cakes. The affidavit of another director of the first respondent company by name Mr.A.Arumugam having 18% of the share in the company is also on record. According to Mr.A. Arumugam there is no Board resolution of the first respondent company permitting manufacture of cakes. The said deponent also do not support the case of the respondents. Though the second respondent attributed malafides against Mr.V.M.Joseph, nothing is stated about Mr.A.Arumugam and as such prima facie the affidavit of Mr.A. Arumugam has to be taken as correct.

33. In the common counter affidavit filed by the respondents there is a clear admission in para 8 to the effect that though the appellant was granted limited license to use the artistic work "MILKA" in its products viz., bread only, but he was using the same for cakes also. The respondents have also stated in para 30 of the counter that they are having the licence to manufacture cakes with effect from 2004, which is also a pointer to show that the appellant is the prior user of "MILKA" for

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cakes as evident by the Certificate of Registration as well as the averments in the earlier suit. The main ground of attack of the respondents relates to the so called fraud played by the appellant in getting the registration as according to the respondents, it is only by misrepresenting the fact that the appellant and the first respondent are one and the same, they obtained the registration. However on a perusal of the said communication of the Assistant Registrar of trade mark reveals that the application referred to in the said proceedings relates to No.732507 which was assigned by Mr.V.M.Joseph to the appellants as per agreement dated 30.11.2000 and No.513603 relates to the respondent's company. Prima facie we are satisfied that the appellant is not guilty of false representation since earlier both the companies were managed by the same set of Directors.

34. The Observations as contained in O.A.Nos.360 and 361 of 2004 and O.S.A.Nos.267 to 270 of 2004 were only for deciding the injunction petition and in the judgement in the appeal preferred against the order of the learned Single Judge, the Division Bench in para 7 of the judgment has observed that the finding in the order of the learned single judge is only for the purpose of disposal of the application for the interim prayer and as such the same cannot be relied on in any other proceedings against the appellant. Therefore in view of the judgment dated 1.12.2004 in O.S.A.Nos.267 to 270 of 2004 the finding of learned judge to the effect that the registration now obtained by the appellant does not enable them to get over the inhibition they have pointed out in the earlier orders in the suits filed by the appellant, is clearly unsustainable.

35. In the earlier suits filed by both the parties herein against each other, there is no injunction in favour of either party and those suits are now reported to be posted for trial.

36. The appellant having obtained registration of trade mark, got a statutory right for manufacturing cakes by using the trade mark "MILKA". Therefore prima facie the use of trade mark "MILKA" by the respondents for the manufacture of cakes amounts to infringement. Prima facie we are also satisfied that the marks involved and goods involved are identical.

37. Prima facie case in favour of the appellant as indicated above appears to have been overlooked while exercising the discretion in the matter of interlocutory injunction.

38. We are conscious of the legal position that the appellate court normally will not interfere with the discretionary order of the trial court unless such orders are made totally disregarding the salient principles governing the law of injunction.

39. In the case of Wander Ltd. v. Antox India (P) Ltd., (1990 (Supp) SCC 727) the Supreme Court in para 14 of the judgement observed thus:

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"14. The appeals before the Division Bench were against the exercise of discretion by the Single Judge. In such appeals, the appellate court will not interfere with the exercise of discretion of the court of first instance and substitute its own discretion except where the discretion has been shown to have been exercised arbitrarily, or capriciously or perversely or where the court had ignored the settled principles of law regulating grant or refusal of interlocutory injunctions. An appeal against exercise of discretion is said to be an appeal on principle. Appellate court will not reassess the material and seek to reach a conclusion different from the one reached by the court below if the one reached by that court was reasonably possible on the material. The appellate court would normally not be justified in interfering with the exercise of discretion under appeal solely on the ground that if it had considered the matter at the trial stage it would have come to a contrary conclusion. If the discretion ha s been exercised by the trial court reasonably and in a judicial manner the fact that the appellate court would have taken a different view may not justify interference with the trial court's exercise of discretion. After referring to these principles Gajendragadkar, J. in Printers (Mysore) Private Ltd. v. Pothan Joseph 1 : (SCR 721)

"... These principles are well established, but as has been observed by Viscount Simon in Charles Osenton & Co. v. Jhanaton 2 '...the law as to the reversal by a court of appeal of an order made by a judge below in the exercise of his discretion is well established, and any difficulty that arises is due only to the application of well settled principles in an individual case'."

The appellate judgment does not seem to defer to this principle."

40. In the case of RAMDEV FOOD PRODUCTS v. ARVINDBHAI RAMBHAI PATEL (2006 (8) scale 631) the Apex Court considered the issue regarding the appellate court's jurisdiction to interfere with the discretionary order of the trial Judge and held thus:-

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"127. We are not oblivious that normally the appellate court would be slow to interfere with the discretionary jurisdiction of the trial court.

128. The grant of an interlocutory injunction is in exercise of discretionary power and hence, the appellate courts will usually not interfere with it. However appellate courts will substitute their discretion if they find that discretion has been exercised arbitrarily, capriciously, perversely, or where the court has ignored settled principles of law regulating the grant or refusal of interlocutory injunctions. This principle has been stated by this court time and time again.(see for example Wander Ltd. v. Antox India P.Ltd. (1990 Supp.SCC 727, Lakshmikant v. Patel V.Chetan Bhai Shah (2202) 2 SCC 65 and Seema Arshad Zaheer v. MC of Greater Mumbai 2006(5) SCALE 263)

129. The appellate court may not reassess the material and seek to reach a conclusion different from the one reached by the court below if the one reached by that court was reasonably possible on the material. The appellate court would normally not be justified in interfering with the exercise of discretion under appeal solely on the ground that if it had considered the matter at the trial stage it would have come to a contrary conclusion.

130. However, in this case the courts below proceeded on a prima facie misconstruction of documents. They adopted and applied wrong standards. We, therefore, are of the opinion that a case fro interference has been made out."

41. In 2006(5) Scale 263 cited supra the Apex Court pointed out the instances where the Appellate Court would be justified in interfering with the discretionary order of the trial Judge and held as follows:-

"31. Where the lower court acts arbitrarily, capriciously or perversely in the exercise of its discretion, the appellate court will interfere. Exercise of discretion by granting a temporary injunction where there is "no material", or refusing to grant a temporary injunction by ignoring the relevant documents produced, are instances of action which are termed as arbitrary, capricious or perverse. When we refer to acting on "no material" (similar to "no evidence)", we refer not only to cases where there

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are total dearth of material, but also to cases where there is no relevant material or where the material, taken as a whole, is not reasonably capable of supporting the exercise of discretion. In this case, there was "no material" to make out a prima facie case and therefore, the High Court in its appellate jurisdiction, was justified in interfering in the matter and vacating the temporary injunction granted by the trial court."

42. Having considered the pleadings and documents on record and the respective contentions of the parties, we are convinced that the trial court failed to consider the pleadings and documents in their proper perspective and as such there was an improper exercise of discretion warranting interference in these appeals.

43. We venture to point out the materials produced by the appellant to show the prima facie case in their favour.

"(a) C.S.No.896 of 1998 was filed by the appellant through the then Managing Director Mr.V.M.Joseph. In the plaint in C.S.No.896 of 1998 it is clearly stated that the appellant is manufacturing cakes from 1997 using the trade name "MILKA". Similarly in C.S.No.891 of 1998 filed by the first respondent, the contention is that the said respondent is manufacturing only bread. It is to be noted here that at that point of time there were no disputes between the parties and they were fighting against the common enemy. The above referred to plaint averments shows that the appellant has been manufacturing cakes under the trade name "MILKA" from 1997.

(b) The then Managing Director of the appellant as well as the first respondent company Mr.Joseph made applications under Nos.759880, 759879 and 732507 for registration of trade marks "MILKA", "WONDER" and "MILKA WONDER CAKE" respectively. The said applications were subsequently assigned to the appellant as per document dated 30.11.2000 and the attesting witness to the said document is none other than the second respondent/the managing director of the first respondent company. The said assignment is permitted in law in view of Section 39 of the Trade Marks Act.

(c) Based on the applications for registration of trade mark applied by Mr.Joseph and the subsequent assignment in favour of the appellant as per agreement dated 30.11.2000, the appellant obtained the

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registration of trade marks and the registration so obtained is prima facie evidence of its validity as provided under Section 28 of the Trade Marks Act.

(d) The registration of the trade mark produced by the respondents under class 30 as per No.513602B relates to bread only.

(e) In the affidavit filed by Mr.Arumugam, who is stated to be holding 18% of the shares in the first respondent company, it is stated that the appellant has been using the trade mark "MILKA" and "MILKA WONDER CAKE" in respect of cakes since 1997; that in 2003 the respondents started manufacturing cakes which was subsequently discontinued and again in February, 2007 the respondent started manufacturing cakes using the trade mark "MILKA" and that there is no Board Resolution of the first respondent company for the purpose of manufacturing cakes and majority of the share holders have not approved such an act on the part of the second respondent. The respondents have not countered the said averments as contained in the affidavit of Mr.Arumugam and as such, prima facie the said affidavit has to be taken to decide the issue relating to temporary injunction.

(f) The respondents themselves admitted in para 18 of the counter about the factum of manufacturing cakes by the appellant using the trade mark "MILKA".

(g) The finding of the learned Single Judge in the interlocutory application in the suit filed by the appellant herein cannot be relied on now, in view of the observations of the Division Bench in O.S.A.Nos.266 to 270 of 2007 to the effect that those observations are only for the purpose of deciding the interlocutory application and the same cannot be relied on subsequently for any purpose.

44. The learned Single Judge rejected the prayer for injunction mainly on two grounds.

"(a) The appellant was permitted to manufacture only breads under the artistic work "MILKA" as per agreement dated 1.11.1996.

(b) The artistic work Milka Wonder Cake wrapper was registered in the name of the appellant by obtaining no objection certificate from the Registrar of Trade Marks falsely representing that both the

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appellant and the first respondent are one and the same."

45. Prima facie, the reasoning given by the learned single Judge while answering the two points referred to above appears to be factually incorrect. The licence agreement dated 1.11.1996 was confined to bread alone. The said agreement produced in page 41 of the paper book in volume 3 shows that the agreement was only for copy right for the artistic work "MILKA" for breads and the agreement is silent with regard to copy right for the word "MILKA" for cakes. Trade mark "MILKA" was not the subject matter of the said agreement. Similarly the said agreement do not make mention of cakes.

46. The other contention with regard to misrepresentation made before the Registrar of Trade Marks by using alias name loses it significance for the reason that both the companies were managed by Mr.V.M.Joseph during the material time. The application made by both the appellant as well as first respondent finds place in the said certificate dated 2.9.1997 which is evident from the registration of trade mark obtained by both the appellant and the first respondent.

47. 52. As observed by the Apex Court in the judgment reported in 2002(3) S.C.C. 65 (Laxmikant V. Patel v. Chetanbhai Shah,).Refusal to grant injunction in spite of the availability of facts, which are prima facie established by overwhelming evidence and material available on record justifying the grant thereof, occasion a failure of justice and such injury to the plaintiff would not be capable of being undone at a later stage.

48. We do not wish to comment more about the validity of the appellant's trade mark in the present appeals as it would have a bearing on the same issue, which is stated to be pending before the Intellectual Board in the proceedings initiated by the respondents for rectification.

49. While considering the question of balance of convenience, the possible confusion that may cause in the mind of an ordinary person of average memory and imperfect recollection along with the possibility of difficulties and loss that may be caused to a party complaining infringement, has to be taken note of. In the case on hand, the product is cake and it will not be possible for an ordinary person to identify a particular product as both the products are found to be more or less identical. Therefore it would definitely cause confusion among the customers. The appellant has stated in so many words about the investment and the amount spent by him for sales promotion. Considering the prima facie evidence produced by the appellant and the balance of convenience, we are convinced that the appellant is entitled for an order of injunction pending disposal of the suit.

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50. In view of the reasons given above, we are of the considered view that the learned Single Judge over looked the relevant documents produced in the matter with regard to the prayer for injunction and as such failed to exercise the discretion in accordance with the principles regulating the grant of injunction by way of interlocutory injunction, pending disposal of the suit. Therefore a case for our interference is made out in the matter and as such the appeals deserve to be allowed.

51. We are concerned with the interest of both parties during the interlocutory stage pending disposal of the main suit. Therefore while granting the relief of injunction in favour of the appellant as prayed for in their applications for interlocutory injunction, we direct the appellant to deposit a sum of Rs.20 lakhs every year to the credit of the suit in C.S.No.504 of 2007 and the first of such deposit has to be made on or before 15.2.2008. If for any reason the suit is pending beyond 2008, the appellant shall deposit at the rate of Rs.20 lakhs on or before 15th February every year and such amount has to be deposited in Fixed Deposit in Indian Bank High Court Branch initially for a period of three years. The appellant shall also maintain true and correct accounts of the transactions in respect of their sale of cakes and such accounts shall be produced once in three months before the trial court.

52. We are also informed that the earlier suits filed by both the parties are now ripe for trial. It is in the interest of both the parties that the present suit also to be tagged with the earlier suits and to be tried by the learned Single Judge to avoid any conflicting decisions in the matter. We request the learned single Judge to dispose the suits as expeditiously as possible and preferably by the end of December, 2008.

53. We make it clear that the finding given on facts as above, are only for the purpose of deciding the issue regarding grant of interlocutory injunction and those findings will not come in the way of the learned Single Judge to decide the suit along with the two earlier suits on its own merits without in any way being influenced by the observations made above.

54. In the result, all the appeals are allowed by setting aside the order dated 7.9.2007 of the learned Single Judge and consequently O.A.Nos.708 to 710 of 2007 in C.S.No.504 of 2007 are allowed as prayed for subject to the above observations. No costs.

Tr/

Sd/-
Asst.Registrar

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Sub Asst.Registrar

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To,

1. The Sub Assistant Registrar,
   Original Side, High Court, Madras.

2. The Section Officer,
   Accounts Section, High Court, Madras.

+1 cc to Mr.P.H.Arvind Pandian, Advocate Sr.No.75889.

+2 ccs to Mr.A.A.Mohan,Advocate Sr.No.76034.

VC(CO)
dcp/3.1 O.S.A.Nos.266 to 268 of 2007

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